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and allocated through the timber sale account pursuant to 77-1-613 MCA (as is currently done for common school timber sale revenue). The average pro-rata share applicable to the timber sale revenues from the five university trusts is estimated to be \$304,500 per year. (Average 14.9% share of total timber sale account authorization of \$2,041,170) The resulting amount of distributable timber sale proceeds available to the five university beneficiaries from enactment of SB511 would therefore be estimated to average \$759,000 per year.

5. SB511 will not change the authorization or spending levels from the trust administration account or the timber sale account.
6. Actual timber sale activity on each individual grant's land base will vary significantly from year to year. Therefore, the amount of timber sale revenue available in any given year for any specific trust will also vary significantly.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)	\$759,000	\$759,000
Other – University Permanent Trusts	(\$759,000)	(\$759,000)
 <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
State Special Revenue (02)	\$759,000	\$759,000
Other – University Permanent Trusts	(\$759,000)	(\$759,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None

LONG-RANGE IMPACTS:

1. The five university trust funds would not grow as fast as they would if timber sale proceeds were deposited in the permanent funds. Interest income generated from the trust funds would therefore, be proportionately reduced over time.
2. The direct allocation to the University system instead of investment in the permanent trust, depending on interest rates, would result in a loss of revenue for the system in the long term.
3. At the current interest rate of 7.1%, the income from the direct allocation would be greater than the interest income earned under current law until year 15, at which point the interest income would be greater. And, at 7%, it would take another 14 years until the cumulative revenue under this legislation would be less than if the timber income had been invested into the permanent fund.

TECHNICAL NOTES:

1. SB511 does not provide for appropriation of the funds made available for the university system